

**DOUGLASS TOWNSHIP**  
**FINANCIAL STATEMENT**  
**DECEMBER 31, 2011**

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**BUSBY FORD & REIMER, LLC**

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CERTIFIED PUBLIC ACCOUNTANTS

**DOUGLASS TOWNSHIP  
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DECEMBER 31, 2011**

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# BUSBY FORD & REIMER, LLC

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CERTIFIED PUBLIC ACCOUNTANTS  
**INDEPENDENT AUDITORS' REPORT**

**Board of Trustees  
Douglass Township**

We have audited the statement of cash receipts, expenditures and unencumbered cash balances of **Douglass Township**, as of and for the year ended **December 31, 2011**. This financial statement is the responsibility of the Township's management. Our responsibility is to express an opinion on the financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the *Kansas Municipal Audit Guide*. Those standards and guidance require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed more fully in Note 1, **Douglass Township**, has prepared this financial statement using practices prescribed by the State of Kansas to demonstrate compliance with the cash basis and budget laws of the State of Kansas, which practices differ from accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of **Douglass Township**, as of **December 31, 2011**, or the respective changes in its financial position and changes in cash flows for the year then ended.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of **Douglass Township** as of **December 31, 2011**, and the aggregate cash receipts and expenditures for the year then ended, on the basis of accounting described in Note 1.

**Board of Trustees  
Douglass Township**

Our audit was conducted for the purpose of forming an opinion on the financial statement. The summary of expenditures-actual and budget and individual fund schedule of cash receipts and expenditures-actual and budget (Supplementary Information as listed in the table of contents) are presented for analysis and are not a required part of the statutory financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statement taken as a whole.

***Busby Ford & Reimer, LLC***

Busby Ford & Reimer, LLC  
May 18, 2017

**DOUGLASS TOWNSHIP  
SUMMARY OF CASH RECEIPTS, EXPENDITURES,  
AND UNENCUMBERED CASH  
FOR THE YEAR ENDED DECEMBER 31, 2011**

Fund	Beginning Unencumbered Cash Balance	Prior Year Canceled Encumbrances	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Encumbrances and Accounts Payable	Ending Cash Balance
General Fund	\$ 57,800	\$ 0	\$ 228,833	\$ 47,218	\$ 239,415	\$ 0	\$ 239,415
Special Purpose Funds							
Road	303,505	0	66,568	181,101	188,972	12,213	201,185
Library	239	0	7,376	7,376	239	0	239
Machinery	180,177	0	67,788	27,850	220,115	0	220,115
	<u>\$ 541,721</u>	<u>\$ 0</u>	<u>\$ 370,565</u>	<u>\$ 263,545</u>	<u>\$ 648,741</u>	<u>\$ 12,213</u>	<u>\$ 660,954</u>
Composition of Cash:				Checking	<u>\$ 660,954</u>		

The notes to the financial statement are an integral part of this statement.

**DOUGLASS TOWNSHIP  
NOTES TO FINANCIAL STATEMENT  
DECEMBER 31, 2011**

**Note 1 - Summary of Significant Accounting Policies:**

Reporting Entity

Douglass Township is a municipal corporation governed by an elected three member Board of Trustees. The Township's financial statement includes all funds over which the Board of Trustees exercises financial responsibility. Financial responsibility includes appointment of governing body members, designation of management, the ability to significantly influence operations and accountability for fiscal matters.

Basis of Presentation – Fund Accounting

The accounts of the Township are organized on the basis of funds, each of which is considered a separate accounting entity. The Township has created several types of funds and a number of discrete funds within each fund type. Each fund is accounted for by a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, receipts and expenditures. The individual funds account for the governmental resources allocated to them for the purpose of carrying on specific activities in accordance with laws, regulations or other restrictions.

The following types of funds comprise the financial activities of the Township for the year:

**Governmental Funds**

General Fund- To account for all unrestricted resources except those required to be accounted for in another fund.

Special Revenue Funds-To account for the proceeds of specific receipts (other than major capital projects) that are restricted by law or administrative action to expenditure for specific purposes.

Statutory Basis of Accounting

The statutory basis of accounting, as used in the preparation of these statutory basis financial statements, is designed to demonstrate compliance with the cash basis and budget laws of the State of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. Expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund, and an expenditure would be charged in the fund from which the transfer is made.

The Township has approved a resolution that is in compliance with K.S.A. 75-110a(c), waiving the requirement for application of accounting principles generally accepted in the United States of America and allowing the municipality to use the statutory basis of accounting.

**DOUGLASS TOWNSHIP  
NOTES TO FINANCIAL STATEMENT  
DECEMBER 31, 2011**

Departure from Accounting Principles Generally Accepted in the United States of America

The basis of accounting described above results in a financial statement presentation which shows cash receipts, expenditures, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown noncash assets such as receivables, inventories, and prepaid expense, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance are not presented. Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year-end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with accounting principles generally accepted in the United States of America. General fixed assets that account for the land, buildings, and equipment owned by the municipality are not presented in the financial statements. Also, general long-term debt such as general obligation bonds, temporary notes, and compensated absences are not presented in the financial statements.

Budget and Tax Cycle

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special revenue funds (unless specifically exempted by statute), and debt service funds. The statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding calendar year on or before August 1st.
2. Publication in local newspaper of the proposed budget and notice of public hearing on the budget on or before August 5th.
3. Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25th.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication the hearing may be held and the governing body may amend the budget at that time. There were no budget amendments for the year ended December 31, 2011.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the modified accrual basis of accounting, modified further by the encumbrance method of accounting. Revenues are recognized when cash is received. Expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments by the Township for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. All unencumbered appropriations (legal budget expenditure authority) lapse at year-end.



**DOUGLASS TOWNSHIP  
NOTES TO FINANCIAL STATEMENT  
DECEMBER 31, 2011**

A legal operating budget is not required for capital projects funds, trust funds and the following special revenue funds:

Machinery Fund

Spending in funds which are not subject to the legal annual operating budget requirement is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

**Note 2 - Compensated Absences:**

All permanent full-time employees are eligible for vacation and/or sick leave benefits in varying annual amounts depending on position and length of service.

It is the policy of the Township to record vacation and sick leave benefits as expenditures when paid.

**Note 3 - Deposits:**

K.S.A. 9-1401 establishes the depositories which may be used by the Township. The statute requires banks eligible to hold the Township's funds have a main or branch bank in the county in which the Township is located and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The Township has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the Township's investment of idle funds to time deposits, open accounts and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The Township has no investment policy that would further limit its investment choices.

*Concentration of credit risk.* State statutes place no limit on the amount the Township may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

*Custodial credit risk – deposits.* Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may be returned to it. State statutes require the Township's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. All deposits were legally secured at December 31, 2011.

At December 31, 2011, the Township's carrying amount of deposits was \$660,954 and the bank balance was \$720,243. The bank balance is held by one bank creating a concentration of credit risk. Of the bank balance, \$250,000 was covered by depository insurance, and the remaining \$470,243 was collateralized with securities held by the pledging financial institution's agent in the Township's name.



**DOUGLASS TOWNSHIP  
NOTES TO FINANCIAL STATEMENT  
DECEMBER 31, 2011**

**Note 4 - Postemployment Benefits:**

The Township did not provide any significant postemployment benefits for former employees at December 31, 2011.

**Note 5 - Contingencies:**

Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township carries commercial insurance for all risks of loss. Settled claims resulting from these risks have not materially exceeded commercial insurance coverage in any of the past three years.

**Note 6 - Interfund Transactions:**

	Statutory Authority	Transfer to: Machinery
Transfer from:		
Road Fund	K.S.A. 68-141g	\$ 55,694
General Fund	K.S.A. 80-122	12,094
		<u>\$ 67,788</u>

**Note 7 - Subsequent Events:**

The Township has evaluated subsequent events through May 18, 2017, the date which the financial statements were available to be issued.

## **SUPPLEMENTARY INFORMATION**

**DOUGLASS TOWNSHIP**  
**SUMMARY OF EXPENDITURES - ACTUAL AND BUDGET**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

Fund	Certified Budget	Adjustment for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance - Over (Under)
General Fund	\$ 242,091	\$ 0	\$ 242,091	\$ 47,218	\$ (194,873)
Special Purpose Funds					
Road	270,372	0	270,372	181,101	(89,271)
Library	7,500	0	7,500	7,376	(124)
Machinery	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	27,850	XXXXXXXXXX
	<u>\$ 519,963</u>	<u>\$ 0</u>	<u>\$ 519,963</u>	<u>\$ 263,545</u>	<u>\$ (284,268)</u>

**DOUGLASS TOWNSHIP  
SCHEDULE OF CASH RECEIPTS AND EXPENDITURES -  
ACTUAL AND BUDGET  
FOR THE YEAR ENDED DECEMBER 31, 2011**

<u>General Fund</u>	<u>Current Year</u>		Variance - Favorable Over (Under)
	<u>Actual</u>	<u>Budget</u>	
Cash Receipts			
Ad valorem tax	\$ 207,893	\$ 0	\$ 207,893
Delinquent tax	5,134	0	5,134
Motor vehicle tax	10,615	6,711	3,904
Recreational Vehicle Tax	202	178	24
16/20 M Vehicle	186	238	(52)
Donation	(119)	0	(119)
Other Income	1,600	0	1,600
Refund	156	0	156
Rent	2,250	0	2,250
Interest Earned	916	0	916
	<u>228,833</u>	<u>\$ 7,127</u>	<u>\$ 221,706</u>
Expenditures			
Officers Pay	0	\$ 5,500	\$ (5,500)
Contract Labor, Road Materials, Fuel	8,344	19,800	(11,456)
Salaries & Wages	11,375	14,000	(2,625)
Employee benefits	0	3,000	(3,000)
Supplies	927	2,000	(1,073)
Equipment, Repairs, & Maintenance	3,477	133,091	(129,614)
Utilities & Rent	4,952	2,200	2,752
Insurance	5,486	6,000	(514)
Cemetery	0	26,600	(26,600)
Hall	0	29,600	(29,600)
Professional Fees	106	300	(194)
Other	457	0	457
Transfers	12,094	0	12,094
	<u>47,218</u>	<u>\$ 242,091</u>	<u>\$ (194,873)</u>
Receipts Over (Under) Expenditures	181,615		
Unencumbered Cash, Beginning	57,800		
Prior Year Canceled Encumbrances	<u>0</u>		
Unencumbered Cash, Ending	<u>\$ 239,415</u>		

**DOUGLASS TOWNSHIP**  
**SCHEDULE OF CASH RECEIPTS AND EXPENDITURES -**  
**ACTUAL AND BUDGET**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

<u>Road Fund</u>	<u>Current Year</u>		Variance - Favorable Over (Under)
	<u>Actual</u>	<u>Budget</u>	
Cash Receipts			
Ad valorem tax	\$ 45,549	\$ 605	\$ 44,944
Delinquent tax	3,490	0	3,490
Motor vehicle tax	11,665	9,752	1,913
County highway tax	5,279	4,302	977
Other Income	585	0	585
	<u>66,568</u>	<u>\$ 14,659</u>	<u>\$ 51,909</u>
Expenditures			
Contract Labor	1,052	\$ 13	\$ 1,039
Officers Pay	0	7,715	(7,715)
Salaries & Wages	0	37,207	(37,207)
Payroll Expense	37,062	61,675	(24,613)
Repairs/Maintenance	4,209	14,000	(9,791)
Road materials	57,150	81,600	(24,450)
Equipment	13,413	48,362	(34,949)
Insurance	0	5,000	(5,000)
Fuel	12,235	13,600	(1,365)
Office Supplies	286	1,200	(914)
Transfers	55,694	0	55,694
	<u>181,101</u>	<u>\$ 270,372</u>	<u>\$ (89,271)</u>
Receipts Over (Under) Expenditures	(114,533)		
Unencumbered Cash, Beginning	303,505		
Prior Year Canceled Encumbrances	<u>0</u>		
Unencumbered Cash, Ending	<u>\$ 188,972</u>		

**DOUGLASS TOWNSHIP  
SCHEDULE OF CASH RECEIPTS AND EXPENDITURES -  
ACTUAL AND BUDGET  
FOR THE YEAR ENDED DECEMBER 31, 2011**

<u>Library Fund</u>	<u>Current Year</u>		Variance - Favorable Over (Under)
	<u>Actual</u>	<u>Budget</u>	
Cash Receipts			
Ad valorem tax	\$ 6,400	\$ 38	\$ 6,362
Delinquent tax	242	0	242
Motor vehicle tax	734	612	122
	<u>7,376</u>	<u>\$ 650</u>	<u>\$ 6,726</u>
Expenditures			
Douglass Public Library	<u>7,376</u>	<u>\$ 7,500</u>	<u>\$ (124)</u>
	<u>7,376</u>	<u>\$ 7,500</u>	<u>\$ (124)</u>
Receipts Over (Under) Expenditures	0		
Unencumbered Cash, Beginning	239		
Prior Year Canceled Encumbrances	<u>0</u>		
Unencumbered Cash, Ending	<u>\$ 239</u>		

**DOUGLASS TOWNSHIP**  
**SCHEDULE OF CASH RECEIPTS AND EXPENDITURES - ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

Machinery Fund

	Current Year Actual
Cash Receipts	
Transfers	\$ 67,788
	<u>67,788</u>
Expenditures	
Equipment	27,850
	<u>27,850</u>
Receipts Over (Under) Expenditures	39,938
Unencumbered Cash, Beginning	180,177
Prior Year Canceled Encumbrances	<u>0</u>
Unencumbered Cash, Ending	<u>\$ 220,115</u>